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Brian R Naranjo 03/13/2002 08:02:13 AM From DB/Inbox: Brian R Naranjo

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Cable Text:

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TELEGRAM

March 13, 2002

TO: SECSTATE WASHDC - IMMEDIATE
Action: WHA
From: AMEMBASSY CARACAS (CARACAS 636 - IMMEDIATE)
TAGS: ECON, EPET, ENRG, VE
Captions: SENSITIVE
Subject: PDVSA BEGINS SLOWDOWN ACTION
Ref: CARACAS 586

SPOT
Chavez

1. (U) The following message is unclassified but sensitive.
Please handle accordingly.

SUMMARY

2. (SBU) Following a four-hour walkout by administrative employees on March 8, employees of the state-owned Petroleos de Venezuela, S.A. (PDVSA) have started a slowdown. President Chavez told Petroleum Chamber President he will militarize the company if necessary to keep it operating (presumably by sending in the National Guard). Three of the new Board members - Jorge Kamkoff, Miller, Luis Davila Puentes and Arnoldo Rodriguez Ochoa - have reportedly sent letters to President Chavez offering to resign. These offers have reportedly not been accepted. Fedepetrol, the petroleum oil workers union, will meet March 12 to discuss their next steps. End Summary.

PROTEST CONTINUES

3. (U) In continuing protest activities, PDVSA administrative employees walked off the job for four hours on Friday, March 8. On Sunday, March 10, the newly formed "Delegates Assembly" (Asamblea de Delegados), or 74 of the representatives nominated from around the country to the March 6 "Workers Assembly," met to discuss next steps. A decision was made to begin a slowdown, with workers generally slowing down their activities and refusing to work overtime. An employee spokesperson said that the slowdown would cause delays in crude production, exports and refinery activities.

4. (SBU) Speaking at the weekly meeting of the Venezuelan Petroleum Chamber, Chamber President Hugo Hernandez Raffalli told his Board he had met with President Chavez on March 8. Raffalli reported that Chavez said PDVSA cannot be paralyzed and that he will, if necessary, militarize the company to keep it operating (presumably by sending the National Guard in to take over field operations). Speaking publicly the night of March 11, Chavez stated emphatically that the company will not be allowed to strike. He denied the existence of a meritocracy within PDVSA and charged that PDVSA workers are resisting change and seeking to maintain their privileges.

5. (SBU) Members of the Petroleum Chamber Board reported that three members of the PDVSA Board - Jorge Kamkoff Miller, Luis Davila Puentes and Arnoldo Rodriguez Ochoa - have sent letters to President Chavez offering to resign. The President has reportedly not accepted their resignations. They also reported that Fedepetrol, the

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union representing the blue-collar oil sector workers, will meet March 12 to decide on its next steps.

6. (U) Other members of the Chavez Administration have come out strongly against the actions of the PDVSA employees. Labor Minister Maria Cristina Iglesias has stated that there are no grounds for a PDVSA strike under the parameters of Venezuelan labor law. At the request of PDVSA President Parra, the Ministry of Labor sent inspectors to PDVSA offices in Caracas and around the country on March 8. Newspapers report that PDVSA employees reacted to such visits by flocking to company medical offices.

THREATS

7. (U) One source within PDVSA provided Econoff with an e-mail directed to the managers for exploration and production. The message calls their attention to Article 289 of the 1999 Constitution which holds out up to 30 year sentences for treason or threats against the public patrimony.

PRICES UP!

8. (U) While some observers are increasingly concerned about the radicalization of PDVSA, the Ministry of Energy and Mines, usually silent on the issue of daily oil prices, is crowing over the March 11 increase of the Venezuelan basket to \$20.72, a price not seen for Venezuelan crude since September 2001.

COMMENT

9. (SBU) We doubt that the National Guard - or anyone else in the GOV for that matter - has the technical expertise to replace the PDVSA managerial staff.

SHAPIRO

Additional Addressees:
None

CC:

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AMEMBASSY LIMA
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SENSITIVE

E.O. 12958: N/A
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End Cable Text

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3

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